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Co-Chairs Joseph Crisco and Robert Megna
Joint Committee on Insurance and Real Estate
State Capitol
Hartford, Connecticut 06106

March 13, 2015

RE: National Community Pharmacists Association (NCPA) Support of Senate Bill 1052

Dear Co-Chairs Crisco and Megna:

I am writing today on behalf of the National Community Pharmacists Association (NCPA) respectfully requesting the committee's support of S.B. 1052. This legislation would establish a reasonable degree of transparency into how Pharmacy Benefit Managers (PBMs) determine and report reimbursement to pharmacies for generic drugs. This known Maximum Allowable Cost Transparency or "MAC transparency."

NCPA represents America's independent community pharmacists, including the owners of more than 23,000 community pharmacies, pharmacy franchises and chains. Together, NCPA members employ over 300,000 full-time employees and dispense nearly half of the nation's retail prescription medicines. NCPA has been at the national forefront of developing and supporting legislation similar to S.B. 1052 and to date has successfully supported the enactment of seventeen similar laws nationwide. Additionally, NCPA has worked closely with our national partners and has successfully implemented MAC transparency standards within the Medicare Part D prescription drug program. Today we respectfully call on the state of Connecticut to follow this national trend.

In today's pharmacy marketplace, Pharmacy Benefit Managers (PBMs) typically establish a "Maximum allowable cost" or "MAC" list for multiple source drugs that determines the upper limit or the maximum amount that a PBM will pay for certain products. The sources and the formulas which the PBM uses to determine which products are included on a MAC list is completely lacking in any degree of transparency. This process is further complicated by the fact that PBMs frequently maintain multiple MAC lists with varying prices: one for the health plan and one for the pharmacy. There is no standardization in the industry as to the criteria for the inclusion of drugs on MAC lists or for the methodology as to how the maximum price is determined or updated. In most cases these lists remain entirely confidential to the pharmacy that therefore has no way of knowing what they will be reimbursed for a drug before dispensing to the patient. This allows PBMs to obtain significant revenues through deceptive practices. For example, PBMs will typically use an aggressively low MAC price list to reimburse their contracted pharmacies and a different, higher list of prices when they sell to the plan sponsors. Essentially, these unclear MAC lists allow the PBMs reimburse low and charge high, pocketing the significant spread between the two prices. This process, called "Spread Pricing" is common practice and has been reported in national media pieces including Fortune Magazine¹ and USA Today.²

At both the state and federal level, there has been an increased interest in addressing the troubling and opaque PBM practices regarding MAC pricing. Since 2013, seventeen states have now taken steps to enact legislation allowing for MAC transparency. This number is expected to increase in the coming months with a number of states moving similar legislation through their legislatures. Furthermore, On May 23, 2014, CMS published a final rule revising the Medicare Advantage (MA) and Medicare Part D prescription drug program. Most notably, as part of this final rule, CMS will now require certain MAC transparency standards within Medicare Part D. Also, CMS clearly stated within their final rule that they do not agree that the support and implementation of MAC transparency would result in any cost increase,

¹Fortune Magazine, October 28, 2013 "Painful Prescription" (web-link: <http://katherineeban.com/2013/10/23/painful-prescription-fortune-com/>)

² USA Today, March 3, 2014 "Do drug benefit managers reduce health costs?" (web-link:

<http://www.usatoday.com/story/money/personalfinance/2014/03/03/pharmacy-benefit-managers-healthcare-costs-savings/5495317/>)

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administrative burden on the plan or PBM, or decrease pharmacy's ability to purchase wisely. In fact, they indicate that additional transparency may increase competition in the marketplace and therefore perhaps drive down costs.

In conclusion, NCPA urges the support of S.B. 1052—legislation that will provide fair and reasonable transparency to pharmacies regarding the services PBMs are providing. NCPA is confident that once you review S.B. 1052, you will find it simply sets reasonable standards to ensure a fair pharmaceutical marketplace in Connecticut. If you have any questions about the information contained in this letter or wish to discuss in greater detail, please do not hesitate to contact me at matt.diloreto@ncpanet.org or (703) 600-1223.

Sincerely,



Matthew J. DiLoreto
Senior Director – State Government Affairs

CC: Members of the Joint Committee on Insurance and Real Estate